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### *TC Heartland:* One Year Later, One Year Clearer

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#### Introduction

As we [reported at the time](#), one year ago in *TC Heartland* the Supreme Court shifted the patent venue landscape by ending a nearly 30-year-long practice of liberally construing the patent venue statute, codified in 28 U.S.C. § 1400(b).<sup>1</sup> Prior to this decision, patent plaintiffs were effectively permitted to bring suit in any court with personal jurisdiction over domestic defendants. Such treatment of the venue requirement stemmed from the Federal Circuit's 1990 decision in *VE Holding*, in which the Federal Circuit imported the general venue statute's definition of "residence," found in 28 U.S.C. § 1391, into the patent venue statute.<sup>2</sup> In *TC Heartland*, the Supreme Court found that the Federal Circuit's statutory interpretation was contrary to the Court's earlier decision in *Fourco*, where it held that § 1400(b) was the sole and exclusive provision governing venue in patent actions and that § 1400(b) was not to be supplemented by the general venue statute.<sup>3</sup>

The Federal Circuit's interpretation of patent venue stemmed from two amendments made to the general venue statute after the 1957 *Fourco* decision. First, in 1988 Congress broadened the definition of residency to include all jurisdictions in which a corporate defendant was subject to personal jurisdiction, noting that the definition applied to all venue statutes in Chapter 87 of Title 28 of the U.S. Code, including §§ 1390 through 1413.<sup>4</sup> The next amendment was made in 2011, and while it made no substantive changes to the definition of residency as to corporate defendants, the amendment added that the definition of "residency" applied "for all venue purposes." The second amendment also included a saving clause which limited the statute's applicability where "otherwise provided by law."<sup>5</sup> Based on the 1988 amendment, from the time of the *VE Holding* decision in 1990 the Federal Circuit had held that § 1391(c) redefined the term "resides" as used in the patent venue statute (§ 1400(b)), but the Supreme Court in *TC Heartland* disagreed.<sup>6</sup>

The question before the Court in *TC Heartland* was whether the definition of corporate "residence" contained in the general venue statute (§ 1391) as amended in 1988 applied to the term "resides" in the patent venue statute as interpreted in *Fourco*.<sup>7</sup> The Supreme Court concluded that it did not; that is, the amendments to the general venue statute did not modify the meaning of § 1400(b) as interpreted by *Fourco*, affirming its holding that a domestic corporation "resides" only in its state of incorporation for purposes of the patent venue statute.<sup>8</sup>

Accordingly, following *TC Heartland*, venue over domestic corporate defendants is proper only in those jurisdictions where the defendant: (1) “resides” (which as noted above the Supreme Court confirmed meant only the state where a corporate defendant is incorporated); or (2) where the corporate defendant has “committed acts of infringement and has a regular and established place of business.”<sup>9</sup>

While the Court’s decision had an immediate impact in the sense that a plaintiff-patentee could no longer bring suit merely in a venue where personal jurisdiction may have existed over the domestic corporate defendant, the Court’s decision also left many questions unanswered. In the year since the decision came down, however, much clarity has been gained, as demonstrated by the below discussion of four post-*TC Heartland* decisions.

### What constitutes a “regular and established place of business”?

Shortly after the *TC Heartland* decision, the Federal Circuit in *In re Cray* rejected a district court’s attempt to establish a four-factor test for determining whether a corporate defendant satisfied the statutory requirement of having a “regular and established” place of business in the district.<sup>10</sup>

Defendant Cray was a Washington corporation with its principal place of business also located in Washington.<sup>11</sup> After being sued in the Eastern District of Texas, Cray moved the district court to transfer the case, arguing that the district court did not have venue over it.<sup>12</sup> Cray’s only affiliation to the district was that two of its employees resided there and were permitted to work from their homes.<sup>13</sup> The district court nonetheless found that these facts were sufficient to establish that Cray had a “regular and established place of business” in the Eastern District of Texas.<sup>14</sup> In the course of making this determination, the district court also announced its four-factor test.

The district court’s four-factor test analyzed the defendant’s physical presence, defendant’s representations, benefits received, and targeted interactions with the district.<sup>15</sup> On review, the Federal

Circuit found that this test was “not sufficiently tethered” to the statutory language of the patent venue statute and that it failed “to inform each of the necessary requirements of the statute.”<sup>16</sup> The Federal Circuit turned to the language of the statute to identify “three general requirements relevant to the inquiry: (1) there must be a physical place in the district; (2) it must be a regular and established place of business; and (3) it must be the place of the defendant.”<sup>17</sup>

The Federal Circuit held that the first requirement could not be satisfied by “merely a virtual space or electronic communications from one person to another” because “there must still be a physical geographical location in the district from which the business of the defendant is carried out.”<sup>18</sup> The court expanded on the second requirement in two prongs. First, “[a] business may be ‘**regular**,’ for example, if it operates in a steady[,], uniform[,], orderly [, and] methodical manner” such that “sporadic activity cannot create venue.”<sup>19</sup> Next, a place of business is **established** if it is “settle[d] certainly, or fix[ed] permanently.”<sup>20</sup> The Federal Circuit went on to note that an established place of business “must for a meaningful time be stable,” while providing the example of a “five-year continuous presence in the district.”<sup>21</sup> Finally, the place of business must be “of the defendant,” which the court defined as having been ratified or established by the defendant.<sup>22</sup>

At least where the issue regards a single employee of a defendant corporation working from his/her home located in the district, relevant considerations include: (1) whether the defendant owns or leases the place, or exercised other attributes of possession or control over the place; (2) whether the defendant conditioned employment on an employee’s continued residence at a place in the district or the storing of materials at a place in the district so that they can be distributed or sold from that place; (3) whether the defendant lists the alleged place of business on a website, or in a telephone or other directory, or places its name on a sign associated with or on the building itself; and (4) the nature and activity of the alleged place of business of the defendant in the district in comparison with that of other places of business of the defendant in other venues.<sup>23</sup>

Ultimately, the Federal Circuit found that venue was not proper over Cray because its presence in the district did not satisfy the third requirement.<sup>24</sup>

### **Did the *TC Heartland* decision amount to an intervening change of law?**

The question of whether *TC Heartland*'s interpretation of the patent venue statute was an intervening change of law came before the Federal Circuit in *In re Micron*.<sup>25</sup> Defendant Micron, incorporated in Delaware with a principal place of business in Idaho, was sued in the District Court for the District of Massachusetts. Early in the case, Micron moved to dismiss the case under Fed. R. Civ. P. 12(b) for failure to state a claim, but understandably, given the long-established *VE Holding* precedent, did not in that motion also allege improper venue.<sup>26</sup> Approximately eight months after filing the motion, *TC Heartland* was decided and Micron thereafter filed a motion to dismiss or transfer the case on the basis that the District of Massachusetts was an improper venue.<sup>27</sup> The district court denied Micron's motion, finding that Micron's failure to contest venue in its initial motion to dismiss constituted a waiver pursuant to Fed. R. Civ. P. 12(h)(1)(A).<sup>28</sup> Micron then petitioned the Federal Circuit for a writ of mandamus, asserting that *TC Heartland* was a change of law that rendered Rule 12(h)(1)(A) inapplicable. The Federal Circuit agreed and granted Micron's petition for a writ of mandamus.<sup>29</sup>

The Court's analysis focused on Fed. R. Civ. P. 12(g)(2), which states in relevant part that "a party that makes a motion under this rule must not make another motion under this rule raising a defense or objection that was available to the party but omitted from its earlier motion." Thus, "the Rule 12 waiver question presented [to the Court] is whether the venue defense was 'available' to Micron in August 2016," when it filed its initial motion to dismiss.<sup>30</sup> According to the Federal Circuit, "[t]he venue objection was not available until the Supreme Court decided *TC Heartland* because, before then, it would have been improper, given controlling precedent [the Court's own *VE Holding* decision], for the district court to dismiss or to transfer for lack of venue."<sup>31</sup>

While agreeing with Micron that *TC Heartland* constituted an intervening change of the law, the Federal Circuit did not order dismissal or transfer of the case, nor did it remand for proceedings limited to the merits of the venue question.<sup>32</sup> Rather, the Federal Circuit acknowledged that the Federal Rules of Civil Procedure are not all-encompassing and that a district court may otherwise find a defendant to have forfeited a venue defense through, for instance, its inherent power to ensure a just, speedy, and inexpensive resolution of disputes.<sup>33</sup> As an example, the Federal Circuit provided a hypothetical scenario where a defendant waited an unreasonable amount of time to act on a statutory change similar to the one at issue, and noted that a court may find forfeiture through a lack of timeliness.<sup>34</sup> The Federal Circuit advised, however, that "[t]his authority must be exercised with caution to avoid the forbidden circumvention" of the Rules.<sup>35</sup>

### **How does *TC Heartland* impact foreign corporations, if at all?**

In deciding *TC Heartland*, the Supreme Court deliberately did not address the question of venue over foreign corporations.<sup>36</sup> This issue came before the Federal Circuit in *In re HTC Corporation*, where Taiwanese Defendant HTC moved to dismiss the case brought against it, relying on *TC Heartland* and its status as an alien corporation to assert that the District of Delaware was an improper venue.<sup>37</sup> When HTC's motion was denied by the district court, HTC petitioned the Federal Circuit for a writ of mandamus, which was ultimately denied.<sup>38</sup> Despite the denial, the Federal Circuit made clear that the patent venue statute did not apply to foreign corporations. Rather, the Federal Circuit relied on statutory and judicial history of the venue laws, including two Supreme Court decisions<sup>39</sup> addressing the same issue and concluding that foreign corporations may be sued in any district where personal jurisdiction over the defendant exists. The Federal Circuit referred to this policy as the alien-venue rule and ultimately upheld it.<sup>40</sup> In line with the analysis underlying the *TC Heartland* decision, the Federal Circuit found that the statutory amendments to the venue statutes did

not alter the alien-venue rule, thus clarifying that the general venue statute—not the patent venue statute—governs proper venue for alien-corporations.<sup>41</sup>

### **Is venue proper in any district of a multi-district state in which the defendant was incorporated?**

An interesting question not resolved in *TC Heartland* concerned those states with multiple federal districts. For example, the state of California has four federal districts: the Southern, Central, Eastern, and Northern Districts. In considering venue following *TC Heartland*, does incorporation in a multi-district state mean that venue is proper in any district within that state? In other words, is a defendant corporation considered to “reside,” for purposes of the patent venue statute, in every district within its state of incorporation? The Federal Circuit recently answered “no.”<sup>42</sup>

In *In re BigCommerce*, the Federal Circuit granted two petitions for writs of mandamus by defendant BigCommerce, in which it challenged the District Court for the Eastern District of Texas’s denial of its motion to dismiss and transfer two patent suits brought against it on the basis of improper venue.<sup>43</sup> BigCommerce was incorporated in Texas with a registered office and headquarters in Austin, a city in the Western District of Texas.<sup>44</sup> While the district court denied the motion on the basis of waiver, it noted that the motions could have been denied on the alternate ground that the Eastern District of Texas was a proper venue.<sup>45</sup> The district court reasoned that “a domestic corporation resides in the state of its incorporation and if that state contains more than one judicial district, the corporate defendant resides in each such judicial district for venue purposes.”<sup>46</sup> BigCommerce’s petitions for writ to the Federal Circuit followed.

The Federal Circuit first looked to the language of the patent venue statute, which instructs that a patent infringement action may be brought in “the district” where the defendant resides. The court concluded that “[a] plain reading of ‘the judicial district’ speaks to venue in only one particular judicial district in

the state.”<sup>47</sup> The Federal Circuit also noted that the statutory language was “simply inconsistent with the understanding that a defendant resides in all districts in the state” and that “[t]he district court’s contrary interpretation finds no textual support in the statute.”<sup>48</sup> The Federal Circuit reinforced its reasoning by highlighting the consistent use of singular references in previous versions of the statute and Congress’s practice of making clear when it “wanted venue to potentially lie in multiple districts.”<sup>49</sup>

The Federal Circuit rejected plaintiffs’ argument that the “realities of modern business” necessitated greater flexibility, calling it a “non-starter” since “such policy-based arguments are best directed at Congress.”<sup>50</sup> Plaintiffs also argued that such a narrow interpretation of § 1400(b) would be difficult to apply in cases where a defendant does not hold an office in its state of incorporation.<sup>51</sup> The Federal Circuit explained that where a defendant has a principal place of business in its state of incorporation, that location would control the venue determination.<sup>52</sup> Alternatively, “[i]f the corporation does not maintain its principal place of business within the state in which it is incorporated—yet for purposes of venue is considered to be a resident of the state in which it is incorporated—then the natural default is to deem it to reside in the district in which its registered office, as recorded in its corporate filings, is located[.]”<sup>53</sup> Thus, the net result is that, without more, a defendant that is incorporated in a state with multiple districts can only be sued in the specific district where it files its incorporation papers, which would typically be the district in which the capital of the state is located.

### **Conclusion**

As detailed above, in the ensuing year following its issuance, the *TC Heartland* decision has spawned several important clarifying decisions from the Federal Circuit. In general, the Court has taken a cautious approach to the *TC Heartland* decision and has repeatedly rejected decisions from district courts that attempted to adopt an expansive view of venue in patent cases even in light of *TC Heartland*.

1. See *TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514 (2017). 28 U.S.C. § 1400(b) states that any “civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.”
2. See *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1990), abrogated by *TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514 (2017).
3. See *Fourco Glass Co. v. Transmira Prod. Corp.*, 353 U.S. 222 (1957).
4. See 28 U.S.C. § 1391(c) (1988): “For purposes of venue under this chapter, a defendant that is a corporation shall be deemed to reside in any judicial district in which it is subject to personal jurisdiction at the time the action is commenced.”
5. 28 U.S.C. § 1391(c) (2011).
6. See *TC Heartland*, 137 S. Ct. 1514.
7. *TC Heartland*, 137 S. Ct. at 1520.
8. *Id.*
9. 28 U.S.C. § 1400(b).
10. See *In re Cray Inc.*, 871 F.3d 1355 (Fed. Cir. 2017).
11. *Id.* at 1357.
12. *Id.*
13. *Id.*
14. *Id.* at 1358.
15. *Id.*
16. *Id.* at 1362.
17. *Id.* at 1360.
18. *Id.* at 1362.
19. *Id.* (internal quotes and citations omitted) (emphasis added).
20. *Id.* at 1363 (internal quotes and citations omitted) (emphasis added).
21. *Id.*
22. *Id.*
23. *Id.* at 1363-64.
24. *Id.* at 1367.
25. *In re Micron Technology, Inc.*, 875 F. 3d 1091 (Fed. Cir. 2017).
26. *Id.*, 875 F.3d at 1094.
27. *Id.*
28. *Id.* Fed. R. Civ. P. 12(h)(1)(A) provides that a party waives a defense listed in Rule 12(b)(2)-(5) (which includes improper venue) if the defense is not included in an initial Rule 12(b) motion.
29. *Id.* at 1095-1096.
30. *Id.* at 1096.
31. *Id.*
32. *Id.* at 1100.
33. *Id.*
34. *Id.* at 1101.
35. *Id.*
36. *TC Heartland*, 137 S. Ct. at 1520 n.2.
37. See *In re HTC Corp.*, No. 2018-130, 2018 WL 2123357, at \*1 (Fed. Cir. May 9, 2018).
38. *Id.* at 9.
39. See *Brunette Mach. Works, Ltd. v. Kockum Indus., Inc.*, 406 U.S. 706 (1972); *In re Hohorst*, 150 U.S. 653 (1893).
40. *In re HTC Corp.*, No. 2018-130, 2018 WL 2123357, at \*5-6.
41. *Id.*
42. See *In re BigCommerce, Inc.*, No. 2018-120, 2018 WL 2207265, at \*1 (Fed. Cir. May 15, 2018).
43. *Id.*
44. *Id.*
45. *Id.*
46. *Id.* at 2.
47. *Id.* at 3.
48. *Id.*
49. *Id.*
50. *Id.* at 5
51. *Id.*
52. *Id.*
53. *Id.*

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